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An Empirical Analysis of Vulnerability to Poverty in Nigeria: Do Household and Regional Characteristics Matter?

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ABSTRACT

This paper investigates vulnerability to poverty in Nigeria using the revised General Household Post-harvest survey for Nigeria 2010. The results show that female-headed households, living in rural area and large household size have significant positive impact on household vulnerability. Again, compared to household heads aged between 15 and 24 years, vulnerability significantly decreases as age range increases. However, the rate of decrease is higher among the segment of the population in the active labour force. That is, those between 25 and 54 years. The rate of decrease in vulnerability is marginal in all other northern zones relative to north east but large in the southern geopolitical zones. We therefore conclude that extension of government sponsored or support programmes to female headed households may be helpful to protect them, especially for widows in reducing their vulnerability. Youth's involvement in entrepreneurship, skills acquisition and agriculture through proper funding of the sector will be helpful in reducing their vulnerability and make them self-reliance.

Keywords: Empirical, Analysis, Vulnerability, poverty
JEL Classifications: I32, D10

1. INTRODUCTION

Vulnerability to poverty appears to be the major challenges many households face in developing economies especially in the Sub-Saharan Africa. As a result, these issues have become central in the policy agenda owing to rise in food prices due largely to flood and drought in many parts of the world, many households have fallen deep into poverty while many others have become poor (Okosun et al., 2012; and Kolawole et al., 2015).

Poverty in Nigeria worsened since the 1980s and became pervasive in the 1990s. For example, the number of those in poverty increased from 27% in 1980 to 46% in 1985; it declined slightly to 42% in 1992 and increased very sharply to 67% in 1996 (Ogwumike, 2001). This has continued such that every measure of poverty ranks the country at the bottom list of nations. The core welfare indicator questionnaire survey conducted by the National Bureau of Statistics (NBS) 2006 revealed that over 67% or two-thirds of Nigerian's rural population was poor. The human development index (HDI) of 0.423 ranks the country 142 out of 169 countries in 2010 with estimated gross national income per capita of $2156, life expectancy at birth of 48.4 years, multidimensional poverty index of 0.368 (UNDP, 2010) and more than half (54.4%) of the population below poverty line in 2004 of which 36.6% of the total population are living in extreme poverty (NBS, 2005). The HDI for 2012 ranks the country 153 of 186 countries and the NBS (2013) frightening statistics about 112 million of the 160 million Nigerians live below poverty line. By the figure it means 67% of entire population is finding it hard to eke out bare existence. The HDI value for 2014 and 2015 of 0.514 placed Nigeria in low development category positioning it at 152 out of 188 countries and territories. According to Chaudhuri (2003), poverty is an ex-post measure of a household's well-being. It reflects a current state of deprivation, of lacking the resources or capabilities to satisfy current needs. Vulnerability on the other hand, may be broadly construed as an ex- ante measure of well-being, reflecting not so much how well of a household currently is, but its future prospect are. The fact that the level of future well-being is uncertain, the uncertainty that households face about the future stems from multiple sources of risk – harvest may fail, food prices may rise, the main income earner of the household may become ill etc.

There are growing concerns that poverty is not reducing due to lack of understanding of its dynamic nature and vulnerability to poverty (Adepoju and Yusuf, 2012). This study therefore argues that the inability of previous programmes and strategies to put a commensurate dent on the incidence of poverty in Nigeria suggests that the major issue is not that households are poor but the probability that a household if currently poor, will remain in poverty or if currently non-poor will fall below the poverty line (that is, household vulnerability to poverty). Thus, vulnerability to poverty is one of the factors that explain the ever-increasing level of poverty. Against this background therefore, the objective of this paper is to investigate and analyze how household and community level characteristics impact on vulnerability to poverty in Nigeria.

2. LITERATURE REVIEW

Increasing attention is currently paid to the "concept" of vulnerability. Just as the multi-dimensional nature of poverty is a complex subject to unravel, so vulnerability is also a phenomenon which is extremely hard to capture. For instance, Webb and Harinarayam (1999) assert that "assessing vulnerability is like trying to measure something that is not there. It is an absence of security, basic needs, social protection, political power and coping options." Christiaensen and Boisvert (2000) defined vulnerability as facing uninsurable risks and contrast poverty and vulnerability in the following way. Poverty is concerned with not having enough now, whereas vulnerability is about having a high probability now of suffering a future shortfall.

The essence of vulnerability is the uncertainty of future income streams and the associated loss of welfare caused by this uncertainty. As Ligon and Schechter (2002) put it, the critical issue is that "a household with very low expected consumption expenditures but with no chance of starving may well be poor, but is still might not wish to trade places with a household having a higher expected consumption but greater consumption risk.

The starting point in disaggregating vulnerability (Philip and Rayhan, 2004) is the internal/external distinction proposed by Chambers (1989): "Vulnerability thus has two sides: An external side of risks, shocks and stress to which an individual is subject to; and an internal side which is defenseless, meaning a lack of means to cope without damaging loss. Loss can take many forms – becoming or being physically weaker, economically impoverished, socially dependent, humiliated or psychologically harmed."

Moser (1998) also utilizes a two-step model of vulnerability but incorporated the concepts of sensitivity and resilience to significantly change the focus and emphasis of Chamber's internal/external distinction. "Analyzing vulnerability involves identifying not only the threat but also the resilience or responsiveness in exploiting opportunities, and in resisting or recovering from the negative effects of a changing environment. The means of resistance are the assets and entitlements the individuals, households, or communities can mobilize and manage in the face of hardship. Vulnerability is therefore closely linked to asset ownership. The more assets people have, the less vulnerable they are, and the greater the erosion of people's assets, the greater their insecurity."

Identifying who moves in and out of poverty over time has been a growing concern in understanding the dynamics of poverty and its importance for the creation of public policies oriented to the segment of the population. This is essentially true when studying the factors determining movement between socio-economic levels, because these are the determining factors on which we must build programmes and policies in a way to better target resources (Milad et al., 2011). Poverty dynamics reveal critical information regarding the transition paths the households experience while moving out of or slipping into poverty overtime. Whether household can grow themselves out of poverty or are constrained by their initial conditions has led to a fundamental interest in exploring poverty dynamics with different policy implication (Dillon et al., 2010).

Certain controversy in poverty issues are directly or indirectly concerned with multidimensional nature and dynamics of poverty. Before any development-oriented society can be more successful in designing and implementing poverty-alleviation strategies, within the context of growth, they need to identify and understand better the various dimensions of poverty and how the poverty interact over time and across space (Thorbecke, 2005). Some households are endowed with portfolios of attributes that keep them in poverty trap under which they remain permanently (chronically) poor, while others with somewhat different portfolios move in and out of poverty or can escape altogether falling into a state of poverty. However, as Abufhele and Puentes (2011) argues that public policies aimed at overcoming or reducing poverty should differentiate between the two types of poverty, and identify measure that is most suitable in addressing the incidence of both transitory and chronic poverty.

Poverty encompasses more than low income or consumption alone. Deprivation, often related to income poverty, is when low income prevents people from achieving sufficient nutrition or from obtaining remedies for treatable illnesses. But it is not always that poverty is closely related to income. It may also come from lack of access to public facilities and programmes (such as health or education) or from the denial of political, civil and economic liberties (Sen, 1999; Narayan et al., 2000; World Development Report, 2001). The word poverty translated into other languages carries different connotations. There are many poverties of deprivations, dimensions of the bad life including not only income-poverty and material lack but many others, some of them represented in the web of poverty's disadvantages. For example poverty of time, living and working in bad places – "the places of the poor" and bad social especially gender relations. Others were the body as the main asset of many poor people, indivisible, uninsured, and vulnerable to slipping from assets to liability; many aspect of insecurity, worry and anxiety; and pervasively powerlessness (Chambers, 2006).

The seminal review of poverty and vulnerability by Alwang et al. (2001b) shed substantial light on the vulnerability-poverty issue. By way of summary, poverty and vulnerability to poverty are two sides of a coin. The observed poverty status of a household (defined as whether or not the consumption expenditures are above or below a given poverty line) is the ex-post realization of a state; the ex-ante